Affordable Housing Trust Fund Commission Report

September, 2008

Table of Contents

Executive Summary

The Social Services Commission, the Central Kentucky Housing and Homeless Initiative, the Council's In-Fill and Redevelopment Report and BUILD, a local grassroots organization, have all highlighted the need for more affordable housing in Lexington. In response, Mayor Jim Newberry, in May 2008, authorized the creation of an Affordable Housing Trust Fund Commission to assess the extent of this problem and make recommendations that will enable an Affordable Housing Trust Fund (AHTF) to be operational in Lexington by July 2009.

As rental costs increase at twice the rate of wage increases, an alarming 18.1% of all renter households in Lexington (8,753 households) now pay more than 50% of their gross income for housing. Meanwhile, the federal commitment to affordable housing for those most in need has shrunk by more than 80% in the last 25 years, even as rates of homelessness have continued to increase. In Fayette County, it is estimated that approximately 1,250 individuals (at any given time) are living in shelter programs provided by homeless service providers. Another 200 persons are living on the streets. The combination of higher and higher housing costs while incomes for low-income families continue to shrink presents an increasingly more difficult challenge for those struggling to keep a roof over their heads.

The Commission recommends the creation of a local Affordable Housing Trust Fund to provide our community with an ongoing publicly funded commitment to expand the supply of safe, decent and affordable permanent housing in Lexington-Fayette County. Affordable housing is defined as "housing that requires families and individuals to pay no more than thirty percent (30%) of their income for housing and housing-related costs".

The Fund will allow a broad range of entities to initiate projects that provide affordable permanent housing, assistance for long-term sustainability of permanent housing, rental assistance and emergency/transitional housing assistance leading to permanent housing. Funding will be targeted to those with the greatest housing need but the Fund will provide resources across the spectrum of need in our community, from homeless services to assistance for first time homebuyers.

The AHTF will be administered by an independent Governing Board, appointed by the Mayor and approved by Council. The Governing Board will have broad representation and expertise within the community. The Governing Board will select an appropriate Administrative Agent to carry out the day-to-day activities of the AHTF. A Technical Assistance Advisory Group will be established for the purpose of providing assistance to the Governing Board, Administrative Agent and eligible applicants in developing and evaluating feasible project proposals.

The Commission recommends funding the AHTF by adding 1% to the existing insurance premium tax in Fayette County. This revenue source would generate approximately \$4 million in annual revenues for the AHTF. It is important to recognize that all communities with AHTFs multiply the investment into their communities many times over. Funded at \$4 million and matched at the average ratio of 6:1 (for a total annual investment of \$28 million) the AHTF is estimated to generate 448 jobs in year one and 176 jobs each year thereafter. In contrast, communities that lack affordable housing suffer diminished economic prospects though lost economic opportunity, stressed transportation infrastructure, and direct and indirect social costs related to education and health care.

Introduction

A number of community efforts have indicated the need for a Lexington Affordable Housing Trust Fund. These include:

- The Social Services Commission conducted an extensive community needs assessment to ascertain what services were most needed in the community. Over and over service providers and community members indicated that the lack of affordable housing in our community was an increasing problem and needed to be addressed by the community.

- The Central Kentucky Housing and Homeless Initiative, in collaboration with the Division of Community Development, conducted an extensive analysis of homelessness in Lexington in the preparation of a "10 Year Plan to End Homelessness in Lexington-Fayette County". The number one recommendation from this report was to initiate an Affordable Housing Trust Fund in Lexington to begin to address the local shortage of affordable housing.

- After extensive study by the Council on addressing how our community will preserve the essential character of Lexington's image as the *Horse Capital of the World* surrounded by beautiful horse farms while at the same time maximizing opportunities for development nearer the city center, an In-Fill and Redevelopment Report indicated the need for an Affordable Housing Trust Fund to address the lack of affordable housing in our community.

- BUILD, a local grassroots organization of concerned individuals and faith communities in Lexington, after a broad range of community meetings and local research, stressed the damaging effects of shrinking supplies of affordable housing in our community and determined that affordable housing should be much more proactively addressed in our community. They initiated a "call to action", asking Lexington's leadership to recognize and address the lack of affordable housing in the community.

In response to these and other efforts, Mayor Jim Newberry, in May 2008, authorized the creation of an Affordable Housing Trust Fund Commission to assess the extent of the problem and issue a report to the Mayor with specific recommendations for the creation of a local Affordable Housing Trust Fund. The timeline for this effort was established as follows:

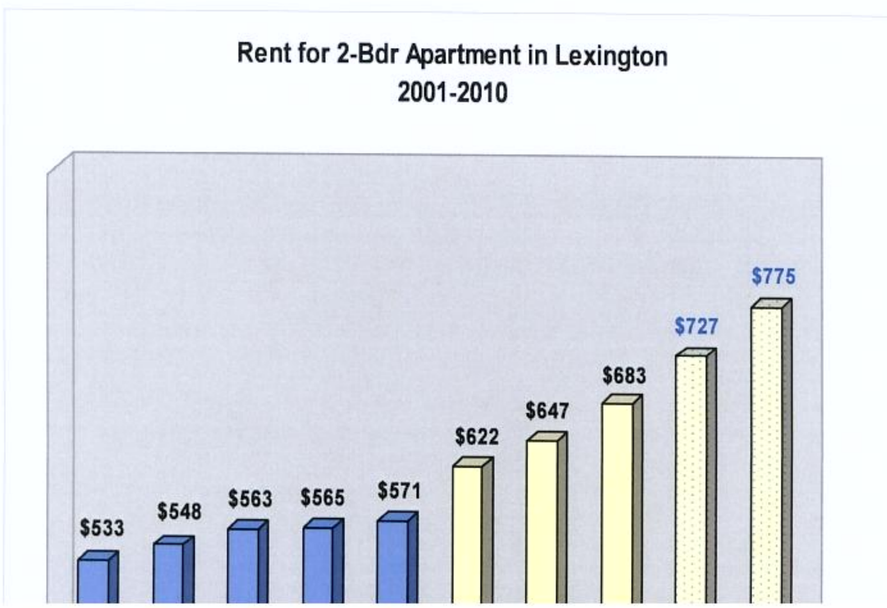
- Report Completed by September 1, 2008
- Ordinance Language Completed by October 1, 2008
- AHTF Ordinance Enacted and Operational by July 1, 2009

Shortages of Affordable Housing - The U.S. Department of Housing and Urban Development defines "worst case needs" households as "unassisted renters with very low incomes (below 50 percent of area median income) who pay more than half of their income for housing or live in severely substandard housing." In a 2003 report, HUD found that "a substantial proportion of households with worst case needs experience these problems despite being *fully employed.* Of families with children that have worst case housing needs, 41 percent have earnings consistent with full-time year-long work at low wages."[i]

In Fayette County there are approximately 48,357 renter households. Of these, 17,312 households (35.8% of all renters) pay more than thirty percent (30%) of their gross household income for their rent. More alarmingly, 18.1% of all renter households in Lexington (8,753 households) pay more than 50% of their gross income for housing.[ii]

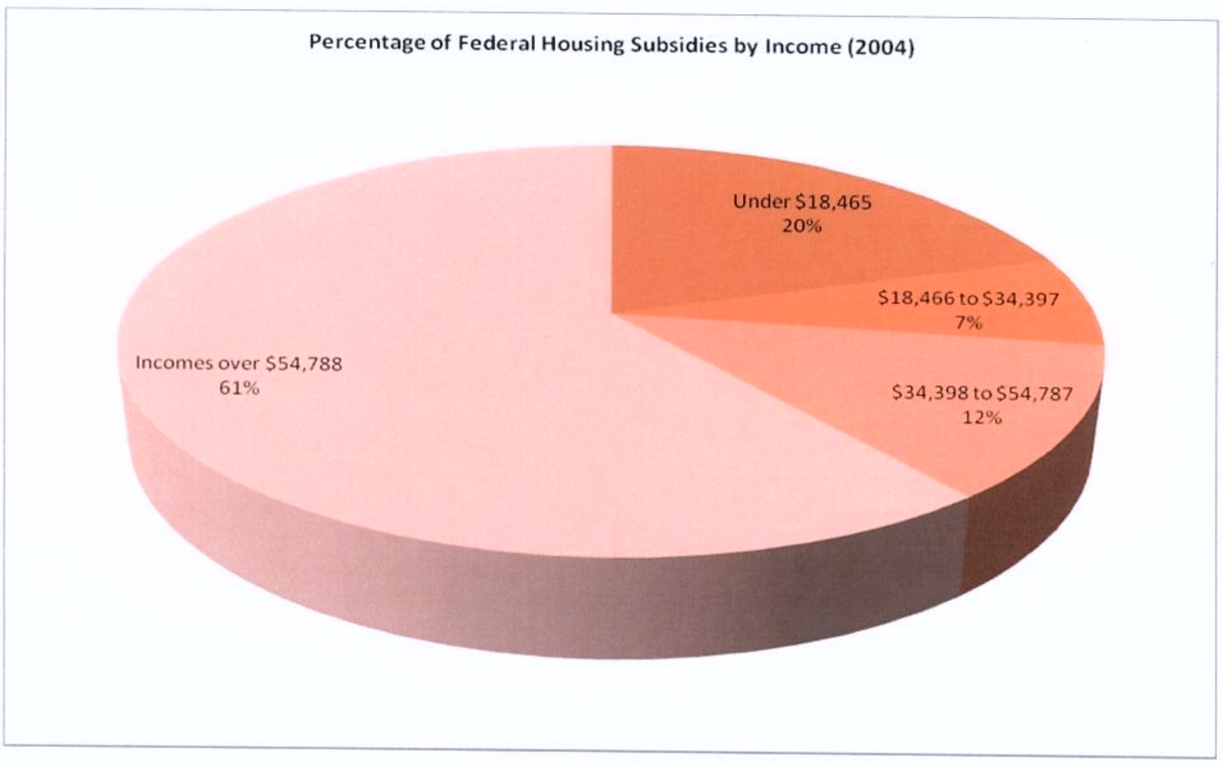
Between 2003 and 2005, the median renter household income in Lexington increased 5.5% from $27,298 to $28,811. However, during this same two-year period the fair market rent of a two-bedroom apartment increased 10%, from $565 to $622 per month. Similarly, the "housing wage" (amount needed to afford the average 2-bedroom apartment rent) increased 10% from $10.87 to $11.96 per hour.[iii]

As noted in the following chart, apartment rents in Lexington increased an average of 1.8% per year from 2000 to 2005 but have averaged 6.5% since then. If this trend continues, rents in Lexington will have increased nearly 33% in the last half of this decade compared to just 9% in the first half of the decade.



Surprisingly, the federal government's response to this nearly three decade long decline in affordable housing has been a steady reduction in the national commitment to allocating federal dollars toward affordable housing. Federal investments in affordable housing have been drastically reduced since 1980. The budget of the Department of Housing and Urban Development (HUD) has plummeted from $104.5 billion in 1980 (in 2005 dollars) to only $19.2 billion in 2005.[iv] Not surprisingly, these cutbacks in our national commitment to affordable housing have been mirrored by increasing numbers of homeless persons and families in the United States.[v]

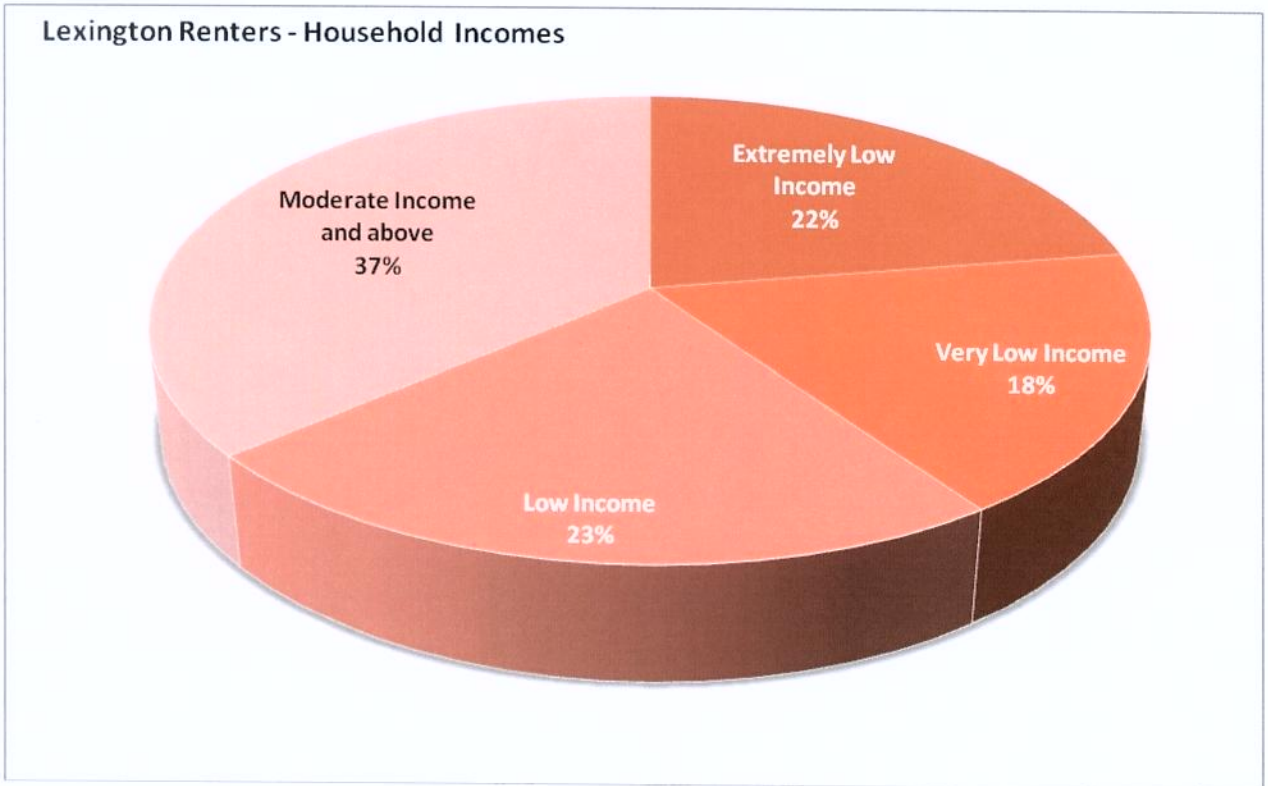
However, it should also be noted that total federal outlays for housing have not declined during this same period. In fact, these have actually increased. Primarily because of the homeowner deductions allowed under federal tax law, the emphasis of federal housing policy over this period has increasingly shifted to benefit middle and upper income property owners, as indicated by the following chart.

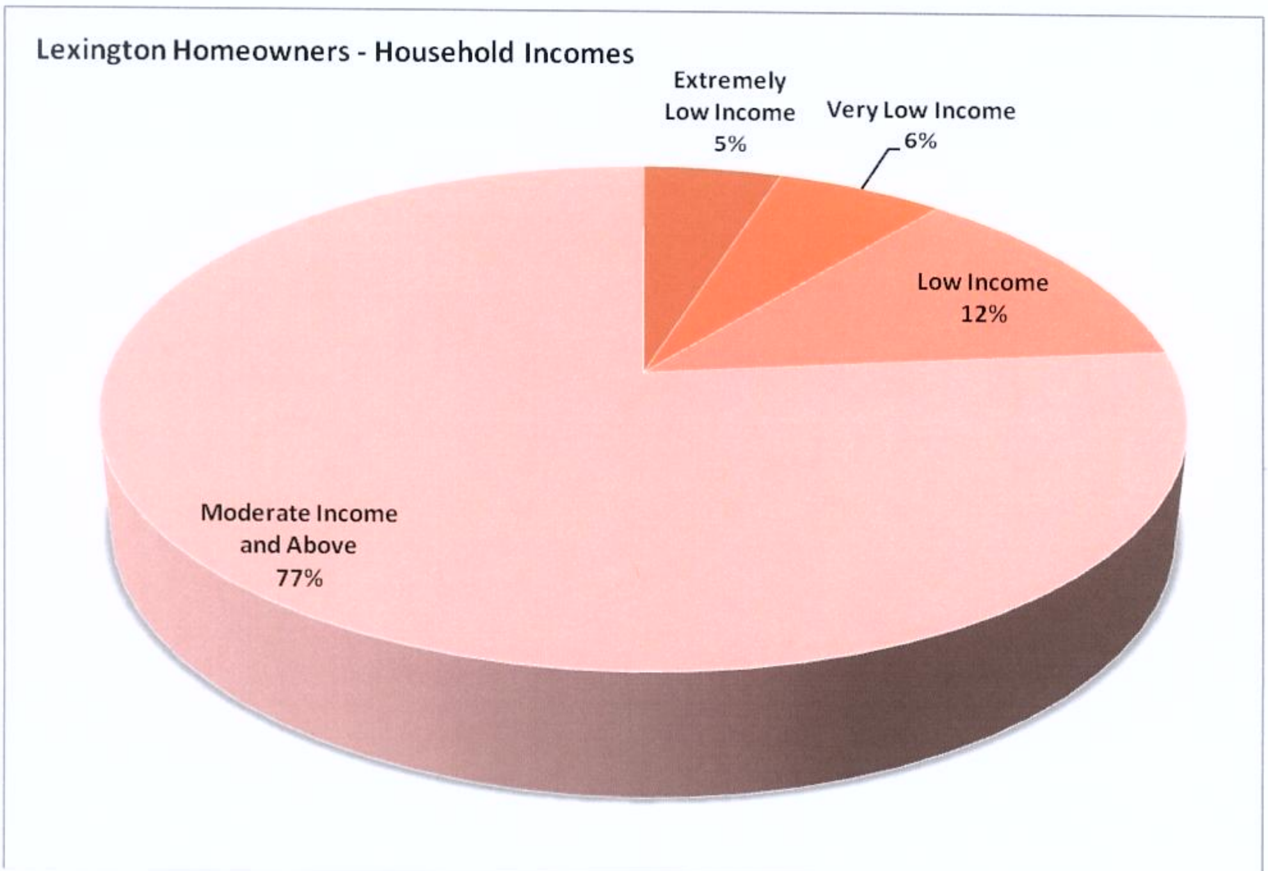


<u>Declining or Stagnating Real Incomes</u> - Amidst increasing housing costs that are consistently outstripping the general rate of inflation, most Americans have faced decades of declines or stagnation in their real wages. In 2004, 37 million people, comprising almost thirteen percent (13%) of the U.S. population, lived in poverty.[vi] In Fayette County, the percentage is even higher: 14.9% of the population lives under the poverty level. The poverty rate for children in Fayette County is even higher at 17.5%.[vii] Rising housing costs, in addition to stagnant incomes and lower safety net benefits, are factors in the rising number of Americans living in poverty. The bottom half of wage earners has seen its income stagnate or decline in the last 20 years, while the top 5 percent of households has seen its income double. The minimum wage has steadily lost purchasing power since its inception as legislative increases have substantially lagged inflation. Wage inequality has dramatically grown in the last twenty years as a result of a variety of changes in the economy and in public policies that shape the economy. The disparity between the incomes of those at the top and those at the bottom is at its greatest point since the decade of the "roaring 20's" that preceded the Great Depression. Nearly half of American households are deeper in debt, insecure about their jobs or downsized into the temporary workforce, and contemplating a future retirement that is significantly diminished with little or no economic security.[viii]

In addition, reductions in public assistance programs, including the 1996 repeal of the Aid to Families with Dependent Children (AFDC) program, have made it more difficult for single mothers to rise out of poverty. Temporary Assistance to Needy Families (TANF), the program designed to replace AFDC, provides families with only a fraction of the income received under the previous program.[ix] In Kentucky, the maximum monthly TANF benefit for a family of three is \$262.[x] Bad credit, no credit and poor or non-existent landlord references are barriers to housing for families. In Minnesota, a study of over 3,100 homeless individuals and families found that 22% had credit problems and 11% had an eviction or other rental problems on their record. Another nine percent had no local rental history.[xi]

The cumulative effect of rising housing costs and shrinking incomes stresses family budgets, sometimes to the breaking point. Families with less income are disproportionally impacted by these forces, as the supply of affordable housing fails to keep pace with demand and wage increases have not keep pace with increases in housing costs. Renters are more significantly impacted, primarily because the income distributions for renter households are dramatically lower than those of owner households, as illustrated by the following charts:[xii]


Lexington Renters - Household Incomes
Extremely Low Income 22%
Very Low Income 18%
Low Income 23%
Moderate Income and above 37%


Lexington Homeowners - Household Incomes
Extremely Low Income 5%
Very Low Income 6%
Low Income 12%
Moderate Income and Above 77%

Homelessness - In Fayette County, it is estimated that approximately 1,250 individuals (at any given time) are living in shelter programs provided by homeless service providers. Another 200 persons are living on the streets.[xiii] There is very little argument among those knowledgeable about the root causes of homelessness that long term solutions to this problem must be focused on the two primary factors that cause homelessness, namely insufficient affordable housing options and stagnating wages unable to keep up with rising housing costs. The combination of higher and higher housing costs while incomes for low-income families continue to shrink presents an increasingly more difficult challenge for those struggling to keep a roof over their heads. Not surprisingly, the vast majority of studies that have researched solutions to homelessness have found that affordable housing (often subsidized), prevents homelessness more effectively than anything else. This is true for all groups of poor people, including those with persistent and severe mental illness and/or substance abuse.

The creation of more affordable housing in Lexington should be the major focus of any recommendations to end homelessness. The comprehensive network of services now provided to assist homeless persons in Fayette County is increasingly burdened by the lack of affordable housing for persons seeking to exit emergency and transitional programs. In addition, increased affordable housing options in the community will reduce the number of people who are at-risk of homelessness and therefore reduce the demand on the existing network of homeless services. Finally, more affordable housing options locally will actually <u>increase</u> capacity in the local homeless service network, particularly in the availability of transitional housing. Local transitional housing providers are experiencing increasing delays with individuals and families successfully exiting their programs to permanent housing because residents simply cannot find affordable housing. Programs that once saw families successfully transitioning to permanent housing in as little as three months are now experiencing stays averaging 18 months. If these programs were able to reduce the delays now needed to successfully transition families into permanent housing (say to an average of 9 months) it could <u>double</u> the number of families who will benefit from the <u>existing</u> network of transitional programs. In short, more affordable housing options in the community not only increases the supply of decent housing that people can afford but it also increases the capacity of existing transitional housing without the expense of expanding the current inventory and it reduces demand on the current network of homeless services by reducing the number of people who fall into homelessness.

Lastly, it should be noted that a local needs assessment is required annually in the Continuum of Care submission to the U.S. Department of Housing and Urban Development. Since 2004, emergency shelter has been designated a "low" priority need in Lexington. This does not mean that there are currently enough shelter beds in Fayette County to meet the needs of all who are homeless. This ranking is a <u>relative</u> assessment when comparing emergency shelter, transitional housing and permanent housing (with supportive services). Since 2004, transitional housing and permanent housing with supportive services have been ranked as "medium" and "high" priorities, respectively. These rankings essentially mean that the greatest unmet local need in

Fayette County is permanent housing with supportive services, followed by the unmet need for transitional housing (set at medium). These rankings are based on known and estimated numbers of homeless persons in Lexington in need of emergency shelter, transitional housing and permanent housing with supportive services when compared to the beds currently provided. In short, the current listings of available sheltering capacity are best met at the emergency shelter level and least met at the permanent housing with supportive services level.

Commission Recommendations

Fund a local Affordable Housing Trust Fund with the following as a mission statement:

The purpose of the Affordable Housing Trust Fund is to provide our community with an ongoing publicly funded commitment to expand the supply of safe, decent and affordable permanent housing in Lexington-Fayette County.

The primary purpose of the AHTF will be to provide affordable, permanent housing in Lexington. Affordable housing is defined as "housing that requires families and individuals to pay no more than thirty percent (30%) of their income for housing and housing-related costs (such as utilities)".

The Center for Community Change indicates that nearly 600 housing trust funds in cities, counties, and states generate more than $1.6 billion a year in support for affordable housing. Both the City of Louisville and the Commonwealth of Kentucky have passed legislation authorizing affordable housing trust funds.

Authorize the AHTF to accept applications for funding from a broad range of organizations to carry out the purposes of the AHTF. Applicant organizations may include:

- Nonprofit Organizations
- For-Profit Organizations
- Units of Local Government
- Public Housing Authority

By accepting applications for funding from a broad range of entities the AHTF will encourage organizations throughout the community to address the shortage of affordable housing in our community. Although both for-profit and non-profit entities would be eligible for funding, it is suggested that non-profits be eligible for grants and loans, while for-profits would only be eligible for loans. In addition, any AHTF funded projects involving new construction or significant rehab must include deed restrictions (similar to HOME regulations) as well as financial penalties if projects are not maintained as affordable housing.

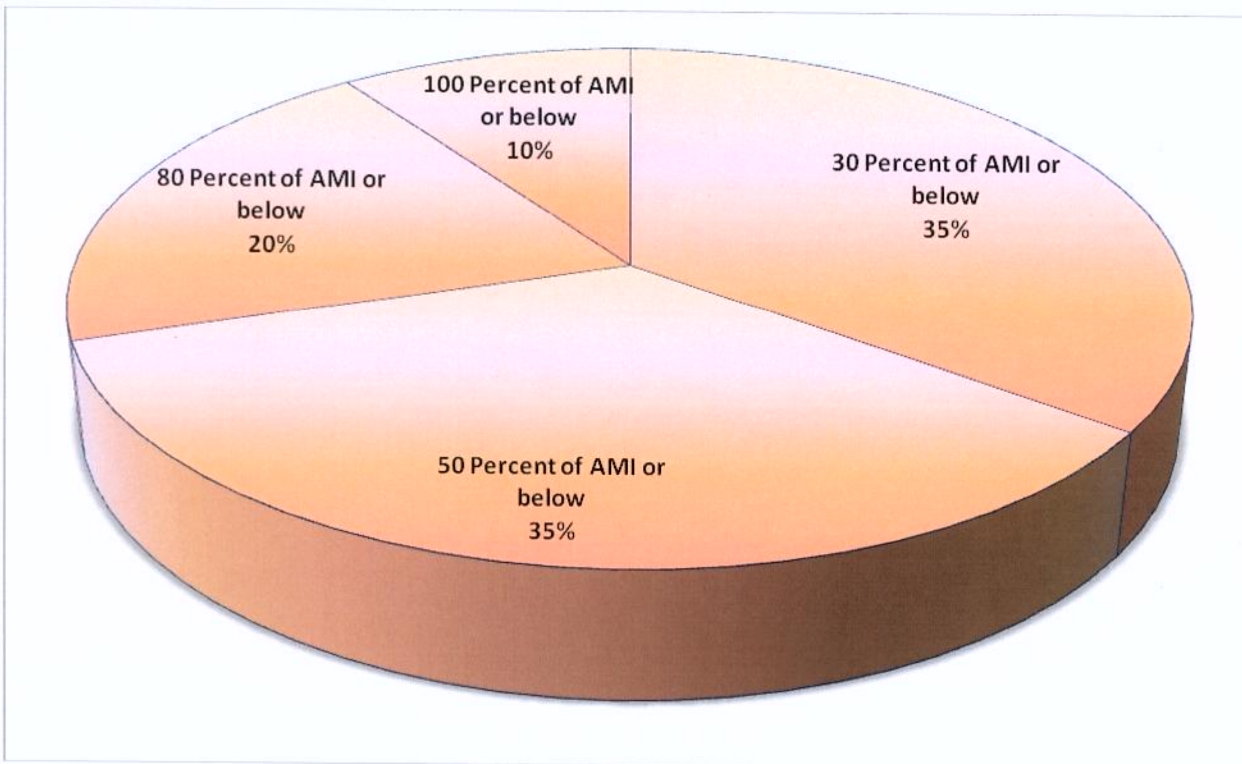
Since the primary purpose of the AHTF is to increase and preserve the supply of affordable permanent housing, all funded projects must be "non-supplantive". This provision would encourage the development of new or expanded projects in our community.

Authorize the AHTF to fund applications for projects that provide the following:

- Affordable Permanent Housing
- Assistance for Long-term Sustainability of Permanent Housing
- Rental Assistance
- Emergency/Transitional Housing

Rental Assistance must be targeted to persons and families with incomes at or below 30% AMI. Emergency/Transitional Housing funded projects must seek to provide assistance and supports needed for individuals and families to transition into permanent housing.

Mandate that publicly funded AHTF projects be allocated to the following households:



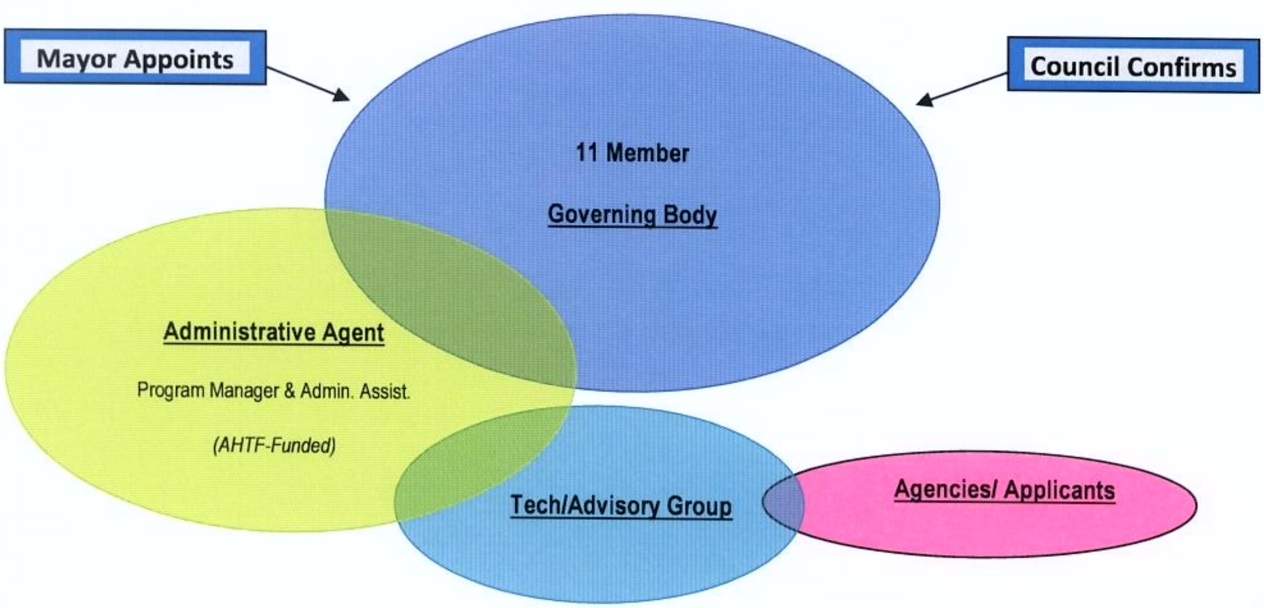
The primary purpose of this funding allocation is to insure that most of the AHTF is allocated to those with the greatest need. Under this allocation formula thirty-five percent (35%) of AHTF funding <u>must</u> be allocated for households with incomes at or below 30% of AMI. However, if circumstances warranted, it would also be permissible for as much as 100% of the funding to be allocated to these extremely low income households. On the other end of the funding spectrum, no more than ten percent (10%) of AHTF funding may be allocated for households with incomes between 80-100% AMI.

It should be noted that a minority of Commission members (4) expressed concerns with including the AMI income categories in the ordinance language. This in no way suggested that the AMI categories were not worthy of funding, but rather indicates a different methodology to target and allocate the funding. While the majority of Commission members felt it was important that this be mandated by ordinance, this minority suggested that these targets could be accomplished through weighted scoring criteria of the applications submitted each year to the Governing Board. This would allow the Governing Board the flexibility to target and allocate funding to changing needs within the community without requiring changes in the ordinance.

Finally, to maximize access to companion funding for the AHTF the Commission recommends that regulations guiding the use of Trust funds seek to be compatible with other affordable housing funding sources from the state and federal government. This will enable collaborative projects and allow the AHTF to fill gaps where other funding resources are inadequate.

Administrative Structure for the AHTF

The following graphic illustrates the proposed administrative structure for the AHTF:



The Commission recommends the establishment of an AHTF Governing Board, to have independent authority and oversight of the Trust Fund. It shall be organized as follows:

Charge of Authority - The Governing Board shall be vested with oversight authority, and shall manage the Trust Fund independently of political influences.

Appointment - The Mayor of the Urban County Government shall have the authority to appoint each member to serve on the AHTF Governing Board. The Urban County Council must confirm or reject each appointment made by the Mayor.

Term of Service - The members of the AHTF Governing Board shall serve a term of two (2) years. The terms of the Governing Board shall be staggered in a manner required by Section 7.02 of the Urban County Charter. No Board member may serve more than two consecutive terms.

Equal Representation - The AHTF Governing Board shall promote inclusion, demonstrate fairness of process, and reflect the socio-economic fabric of the Lexington – Fayette County community. The composition of the Governing Board shall be, as nearly as possible, representative of the social, economic, cultural, ethnic and racial groups which compose the population of the County.

Composition - The AHTF Governing Board shall be comprised of eleven (11) members. Each Member must demonstrate knowledge and experience in the affordable housing sector, and support local housing efforts. These individuals must have extensive experience in one or more of the following skill sets:

- Homelessness & Emergency Housing
- Social & Support Services
- Affordable Housing Management
- Affordable Housing Resident/Client
- LFUCG Council Member
- Grants Administration or Philanthropic Giving
- Housing Construction
- Commercial or Mixed–Use Development
- Property Leasing or Rental Housing
- Real Estate Management
- Financial or Capital Markets

Conflict of Interest - No member of the AHTF Governing Board shall be an employee, business partner, contractor, consultant, Board member or representative (or immediate family thereof) of an organization which petitions for funding from the AHTF. Applicants for AHTF funding will be deemed ineligible if a Board member has any such affiliation.

Meetings - The AHTF Governing Board shall meet bi-monthly, or at least five (5) times within a calendar year. A quorum must be established for an official business meeting to be held. A quorum consists of a majority of eligible voting members (6 persons). A simple majority of Governing Board members present at an official meeting is required to approve any business item on the agenda.

The duties of the AHTF Governing Board shall be:

- Establish policies and procedures for the operation/management of the AHTF
- Select an appropriate Administrative Agent to carryout the functions of the AHTF
- Oversee the financial management of AHTF funds, including all receipts, gifts, donations, grants, disbursements, accounts payable & administrative costs
- Annually monitor and evaluate the performance of the Administrative Agent.
- Establish annual funding goals and priorities for housing production utilizing AHTF funds
- Annually review funding proposals from eligible applicants for AHTF funds
- Annually rank and prioritize eligible projects requesting AHTF funding
- Annually approve funding for eligible AHTF projects
- Perform housing studies, housing needs assessments, and compile pertinent data consistent with planning activities on-going through existing governmental departments and non-profit housing agencies
- Submit annual reports on the activities of the AHTF to the Mayor, Urban County Council and the community

Community needs will be re-assessed on an ongoing basis (at least every 3 years) via a formal needs assessment process.

Management/Staffing - Recommendations

The day-to-day management of the Trust Fund shall be entrusted by the Governing Board to an Administrative Agent. Nearly 95% of all new AHTF's established in the US are administered by a governmental department or agency. Preferably the Administrative Agent selected by the Governing Board would be the entity within local government most experienced in administering affordable housing grant and loan funds. At present, this entity within local government is the LFUCG Division of Community Development. This department is responsible for the administration of federal grant dollars such as HOME, CDBG and ESG from the US Department of Housing & Urban Development (HUD).

The duties of the AHTF Administrative Agent shall be:

- Develop a Notice of Funding Availability (NOFA) for annual AHTF funding cycles
- Develop program materials and provide technical assistance to potential applicants
- Solicit and receive funding applications for housing projects requesting AHTF funds
- Evaluate project proposals to determine eligibility and feasibility based on criteria established by the Governing Board and program guidelines
- Initiate contracts with projects awarded funding by the AHTF Governing Board
- Process and approve funding draw requests submitted by project administrators
- Monitor implementation of these projects
- Complete project close-out reports
- Monitor post project compliance requirements

The initial staffing of the AHTF Program shall consist of two (2) staff persons: a *Program Director* and an *Administrative Assistant*. The initial estimated annual administrative cost of the program, including wages & fringe benefits, is $125,000-$150,000. The personnel costs required to administer the AHTF shall be supported by the revenues of the Trust. Administrative costs will be limited to no more than 10% of AHTF revenues with the initial years targeted at no more than 5%.

Technical Assistance Advisory Group

A Technical Assistance Advisory Group shall be established for the purpose of providing assistance to the Governing Board, Administrative Agent and eligible applicants in developing and evaluating feasible project proposals. In addition, the formation of this Advisory Group will allow for affordable housing developers & administrators to participate in the planning and policy development of the AHTF.

The Technical Assistance Advisory Group shall be comprised of designees of the AHTF Commission, and should reflect the size of the existing AHTF Steering Committee (approximately 8-10).

The duties of Technical Assistance Advisory Group shall be:

- Assist Governing Board, AHTF staff and the Division of Community Development in providing technical assistance to applicants.
- Assist in planning and housing needs assessments.
- Assist in evaluation & assessments of the AHTF.

Funding the Affordable Housing Trust Fund

The Commission considered a broad range of possible funding sources. Such sources included (but were not limited to) an increase in the property transfer fee, parking fees, blighted property tax levies, an increase in garbage fees, a small fee added to utility bills, promotional fees generated by event activities, an increase in the hotel/motel tax, a car rental fee, a partial allocation of surplus funds from the County Clerk's office, building and development fees, city use taxes, demolition fees, a designated property tax allocation, an added amount to the insurance premium tax, a General Fund commitment, tax increment finance (TIF) fees, restaurant fees, license plate fees for an AHTF plate, cable service fees and others. Funding sources were evaluated as short, medium or long term strategies. Many of these funding sources required legislative approval at the state level as well as at the local Council level. Such sources necessarily require a longer timeline to initiate as well as an extensive campaign effort to gain approval in Frankfort.

The Commission determined that primary funding sources for the AHTF would ideally be community-wide sources that do not excessively target a specific market sector such as commercial or residential development. In addition, the Commission determined that initial funding for the AHTF should be targeted to generate at least $3-$5 million annually from a dedicated public revenue source.

Initial Funding Source - The Commission recommends that the Council add 1% to the existing insurance premium tax in Fayette County (currently at 6%) and dedicate this 1% increase to the AHTF. This premium tax is levied on most insurance premiums (except health insurance). As an example, this one percent increase would represent a $7.60 annual increase in the average $760 cost for homeowners insurance in Lexington. The other most commonly paid insurance premium is automobile insurance, which would increase on average a similar amount annually ($7.42). Based on current amounts collected this revenue source would generate approximately $4 million in annual revenues for the AHTF.

Once the AHTF is operational and successfully funding affordable housing in our community, other sources of funding could be sought to increase the impact of the AHTF. Among these the Commission recommends the following:

- Increased property tax levies on blighted properties.
- Allocate a portion of the surplus funds provided to LFUCG every 3-4 years by the County Clerk's Office to the AHTF.
- Increase the real estate transfer tax assessed when a local property is sold (this is paid by the seller) and allocate the increase to the AHTF. This requires companion legislative approval at the state level.

Outcomes and Economic Impact

It is important to recognize that any funding of the AHTF actually brings other funding into the community. <u>All</u> communities with AHTFs successfully multiply the investment into their communities many times over, on average by a factor of 7 to 1.[xiv]

Based on a more conservative matching ratio of 6:1 experienced by the administrator of Kentucky's AHTF (Kentucky Housing Corporation), the recommended funding level of $4 million per year could provide 336 units of <u>new</u> affordable housing <u>each</u> <u>year</u>.[xv] Or it could provide enough funding to significantly rehabilitate approximately 1,400 units of existing affordable housing <u>each</u> <u>year</u> and thereby prevent this dilapidated but affordable housing from falling out of service.

The economic impact is even more significant. Funded at $4 million and matched at a ratio of 6:1 (for a total annual investment of $28 million) the AHTF is estimated to generate 448 jobs in year one and 176 jobs each year thereafter – on an ongoing basis.[xvi]

In short, the allocation of local revenues to investment in affordable housing brings additional revenues into the community. Each **$1 million** in AHTF investment generates an estimated additional **$6,468,000 in local revenue** in year 1, and **$3,061,800** on an annual ongoing basis.[xvii]

On the opposite side of the ledger, communities that lack affordable housing actually experience diminished economic prospects. In a comprehensive study done by Lee County, Florida it was estimated that ignoring the local need for affordable housing was costing the community more than $249 million each year. The study calculated the community costs associated with inadequate housing in three sectors of the community: lost economic opportunity, stressed transportation infrastructure, and the direct and indirect social costs related to education and health care. The vast majority of the cost to the community was associated with lost economic opportunity (estimated at $241 million each year). This included lost jobs and wages as a result of not developing needed housing, lost economic opportunity as a result of families spending too much money on housing and lost property tax revenue.[xviii]

Since the population of Fayette County is about 60% that of Lee County, FL, we could extrapolate that ignoring our need for affordable housing is ONLY costing us about $149 million each year. On the other hand, we could recognize the need for more affordable housing in our community and move forward with establishing our own AHTF to begin to address this dire need in our community.

Other research supports the economic impact of ignoring the need for affordable housing:

- Best practices research has shown that the lack of affordable housing is an impediment to local economic growth when employers struggle to find and keep reliable workers but those same workers cannot afford to live nearby.[xix]
- Other research shows that affordable housing is vitally important to low-wage workers. This research suggests in particular that housing subsidies help families to obtain and retain employment by increasing family stability, freeing up income for work-related expenses such as childcare, and providing families the opportunity to locate nearer to better employment opportunities.[xx]
- Sensible urban planning as a solution to urban/suburban sprawl must include sufficient numbers of affordable housing units. These units are needed to grow local economies dependent upon lower-wage workers. Such growth must also include adequate numbers of affordable housing units to meet the needs of other residents who are no longer able to work, or those in transition within the workforce, such as those who are disabled and low-income retirees.[xxi]

Other sources highlight the human impact when communities ignore the need for affordable housing. Shortages of affordable housing have been shown to contribute to family instability but can also have a destabilizing impact on whole neighborhoods. The impact is felt most with children, as their physical, social, and educational development deteriorates when they lack consistent shelter.[xxii]

In testimony before Congress, Sheila Crowley, President of the National Low Income Housing Coalition (NLIHC) stated the following in March 2007:

> What are the consequences of a housing shortage of these proportions? How do these families cope? Many of them spend much more than they can afford for their homes. An analysis of data from the 2005 American Community Survey shows that 71% of all extremely low income renter households in the United States pay more than half of their income for their homes.[xxiii] Spending

that much of household income on housing means there is not enough income left for other basic necessities, and people are forced to make impossible choices between rent and food or medicine or heat. Certainly, they are not able to save.

Another way to cope is for the adults in the family to work two or more jobs to bring in the needed income. This means children are left alone or in the care of others for long stretches of time and the parents are unable to do what we expect of them to raise healthy and productive children.

Or they are prey to unscrupulous landlords who rent substandard housing that tenants do not dare complain about for fear of losing the only homes they can afford. Or they double-up with family members or friends creating overcrowding and all the related health and mental health stressors that come with too many people living in too little space. Or they move from one short term dwelling to another, making stable employment and school attendance impossible to maintain. High rates of residential mobility among low income families is correlated with high rates of school mobility for their children, which means these kids never stay long enough in one school to be successful.[xxiv]

The ultimate consequence of this housing shortage is that people lose their homes and become homeless. In circumstances where there is such a gap between supply and demand, those who are the most vulnerable, those with the most complex problems and the weakest support systems, are the least able to compete and at highest risk of homelessness.

This housing shortage is not going to be solved by market forces. Given the huge pent-up demand for rental housing that this population can afford, if there was money to be made building and operating such housing, someone would have figured out how to do so by now. Nor can this housing shortage be solved by existing federal, state, and local housing programs at the level of investment we are currently making.[xxv]

References

[i] U.S. Department of Housing and Urban Development. Affordable Housing Needs: A Report to Congress on the Significant Need for Housing. 2003.
[ii] CHAS Data Book, 2005
[iii] National Low Income Housing Coalition. Out of Reach, 2003 and 2005. Accessed at www.nlihc.org/oor/oor2003 and www.nlihc.org/oor/oor2005.
[iv] Without Housing: Decades of Federal Housing Cutbacks, Massive Homelessness and Policy Failures. Western Regional Advocacy Project, 2007
[v] Ibid
[vi] National Coalition for the Homeless. Why are People Homeless? June 2006.
[vii] U.S. Census Bureau, 2005 American Community Survey. Accessed at http://factfinder.census.gov, November 2006.
[viii] Collins, C. "The Growing Income Disparity Gap" United for A Fair Economy, 2007
[ix] Nickelson, Idara. "The District Should Use Its Upcoming TANF Bonus To Increase Cash Assistance and Remove Barriers to Work," 2004. D.C. Fiscal Policy Institute. Accessed at www.dcfpi.org.
[x] U.S. Department of Health & Human Services, Administration for Children & Families. Accessed at http://www.acf.hhs.gov/programs/ofa/tanft91a.htm, November 2006.
[xi] Wilder Research Center. Homeless in Minnesota 2003.
[xii] CHAS Data Book, 2005
[xiii] Central Kentucky Housing and Homeless Initiative, January 2008 HUD Homeless Count
[xiv] Mary Brooks, AHTF Project, Center for Community Change, Wash., DC February 2008.
[xv] An assessment and recommendations for the creation and funding of an AHTF", Mayor's Affordable Housing Trust Fund Task Force, Louisville, KY December 2006.
[xvi] Ibid
[xvii] Ibid
[xviii] "The public costs of inadequate affordable housing in Lee County, Florida" Deborah Halliday, MPA, Lee County Planning Division, September 2002
[xix] *"Increasing access to Housing for Low-Income Families", NGA Center for Best Practice, 3/29/02.*
[xx] *"Increasing Use of TANF and State Matching Funds to Provide Housing-Assistance;" Center on Budget and Policy Priorities; 2/2000)*
[xxi] *Katz, "Smart Growth: The Future of the American Metropolis?" 7/02*
[xxii] *Children pay the price of homelessness.* Minneapolis: Family Housing Fund. 1998
[xxiii] NLIHC tabulations of 2005 American Community Survey PUMS
[xxiv] Crowley, S. (2003). The affordable housing crisis: Residential mobility of poor families and school mobility of poor children. *Journal of Negro Education, 72*(1), 22-38.
[xxv] Testimony of Sheila Crowley, MSW, Ph.D., President of the National Low Income Housing Coalition presented to the Financial Services Committee United States House of Representatives March 15, 2007